



Looking Forward

The Less-Stress Guide to Money and Family

IT'S A RELIEF IF YOU CAN TURN TO FAMILY IN A PINCH—AND YOU WANT THE FEELING TO BE MUTUAL. BUT MONEY AND FAMILY CAN BE A COMBUSTIBLE MIX, SO HEED THIS EXPERT ADVICE.

By Melanie Mannarino



“If you think of the money you’ve lent as a gift, you will be free of resentment or weird feelings. It’s better for you to continue in your life without holding a grudge.”

HERE’S THE FIRST RULE to follow when lending money to a family member: Assume they will never pay you back—and be OK with that.

And here’s the first rule to follow when borrowing money from family: For crying out loud, pay them back.

If everyone who ever borrowed or lent money followed those two rules, these next few pages could be filled with pictures of happy family members, smiling without a shred of guilt or resentment over their financial exchange.

Unfortunately, money always seems to get uncomfortably personal. “When you lend money, there’s a power shift in the relationship,” says Megan McCoy, PhD, a licensed marriage and family therapist

in Manhattan, Kansas, and a board member of the Financial Therapy Association. “The lender becomes more powerful—you see yourself as more responsible. That puts the borrower in a one-down position, which can breed resentment.”

A typical family loan might go like this, says McCoy: Someone asks you for money. You don’t really want to give it—you may even have judgments about why the borrower is in this predicament—but you

do anyway. Then you silently stew every time they show up at your house with a fancy latte or new shoes, and they act awkward and become resentful that you are “making” them feel uncomfortable (which may be more about perception than reality, but still). Next thing you know, months have elapsed, you’re still waiting for your money, they’re hoping you’ve forgotten about it, and there’s a rift in your relationship neither of you are happy about.

“Money is a taboo topic—we don’t like to talk about it,” says McCoy. “But when a financial situation is unresolved, it becomes laden with

meaning, a symbol of power and control and freedom.” Money can also be a relationship destroyer, she says. But it doesn’t have to be. We spoke with three financial experts, all of whom agreed on the following guidelines for familial lending and borrowing. Follow this advice and you should be able to help or be helped in a time of need—without suffering any permanent damage to your relationship.

Take time to think about it.

You are under no obligation to say yes on the spot when a family member asks for money—no matter how dire their situation is. “Say, ‘I would love to be able to help you. Let me think about whether this is best for me,’” suggests certified financial planner Brittney Castro, CEO and founder of Financially Wise, a Los Angeles–based financial planning firm. “Pause and reflect before answering.”

Taking even a few minutes gives you time to formulate key follow-up questions in your head. “Go into investigative mode,” says certified financial planner Hilary Hendershott, founder of Hendershott Wealth Management in San Jose, California. “You need to know how much they need, why they need it, and what their income expectations are now and for the future. Get a sense of whether they can repay you and what their timeline is for that.” Then take two to three days to respond.

Discuss it with your partner.

Before you get back to the borrower with an answer, you need to consult your partner or spouse if you have one, says Hendershott—especially if the amount is substantial given your financial picture. How to tell whether it’s worth discussing? “I don’t need to talk with my husband if I buy someone lunch, so I probably don’t need to clear it with him if I lend that amount either,” she says.

As with all difficult subjects, open communication is key, particularly if your partner isn’t as willing to write a check as you are. “If you can, sit down together and talk about your beliefs around money and the huge moments in your life that led to those beliefs,” says McCoy. “Then you can see each other’s perspective and have a deeper understanding of the emotional reaction your partner is experiencing in this moment that makes them feel scared or angry or powerless.”

That said, if your partner is simply not on board with the loan, the deal is off. “Marriage is a financial partnership,” says Hendershott. “The partner who doesn’t want to lend likely has veto power.”

Trust your gut if it’s telling you to say no.

The experts have your back on this one. In fact, both McCoy and Hendershott say that lending money is nearly always a bad idea. “Anytime you can say no, do so,” says McCoy. “Even if the person pays you back, you’ve opened a door that will never

close again. You become the bank—it changes how your relative looks at you and how you look at them.” The experts agree that there are two cases in which you should (gently but firmly) refuse: if you simply can’t afford it, or if the person has a history of borrowing from you or others and not repaying. “Is this a onetime hardship, or is running out of money a chronic pattern of behavior for this person?” asks Hendershott.

Full disclosure: You probably won’t feel awesome after refusing the loan. Own those feelings, says Castro, and in the spirit of open communication, share them. “Next time you see that person, express how you feel,” she says. “Then tell them, ‘For me, right now, this is the best decision. I need to take care of myself, and I hope you understand that.’”

Don’t lend money you don’t have.

That may sound obvious. But when the loving parents who changed your diapers and cleaned up your vomit and packed up the SUV to drive you to college are in a financial bind, it can seem logical—imperative, even—to get a cash advance on your credit card to help them. Don’t, says Hendershott. “If you can’t afford to help, say no. Your job is to make sure you’re on track to achieve your own financial goals. No one will care more about your money than you.”

Do offer to help in other ways.

Whether or not you fork over cash, focus on your loved one's underlying financial issue and see if you can help address it, says Castro. "Help them find the resources they need or create a budget," she suggests. "You can even offer to pay for a financial planner or a personal-finance course."

If you're thinking, "Teach a man to fish..." you've got the right idea. Addressing the underlying issue doesn't just benefit your cash-strapped family member, says McCoy. It also helps you, by ensuring they don't come knocking on your door in six months, looking for more money. "If you help them find a second job or get extra income or sign up for a budget app, then your relationship is safer." And so is your bank balance.

Feel good about giving this gift.

Yes, "gift." There's no other way to look at it, agree McCoy, Castro, and Hendershott: When you lend money to someone—even your closest, most trustworthy sibling—you must assume they will never pay you back and make your peace with that. "It would be nice to think they can and will repay you, and lots of people do," says Castro. "But if you think of the money as a gift, you will be free of any resentment or weird feelings the next time you see them at a family party. It's better for you to continue in your life without holding a grudge."



If you're hoping to borrow, come armed with a payback plan.

Look, just because potential lenders should think of the loan as a gift doesn't mean borrowers should treat it as such. When you ask someone you love and trust to give you their money, it's a sign of respect (for them and for yourself) to present a thought-out repayment schedule. "Do all the hard work for them," says McCoy. "Have a real conversation about how the loan will get repaid and when. Once you start talking about money, it only takes about five minutes for the conversation to become less awkward, and you can talk about it like the numbers on paper that it really is."

Read more on modern money etiquette at realsimple.com/moneyetiquette.

Putting the loan terms in writing can go far to promote peace of mind and reduce resentment. Draw up a contract, suggests Hendershott—either make a Word document or download a promissory-note template specific to your state (google "promissory note template NJ," or whatever your state's abbreviation is). Make sure the contract includes the names of the people involved, the loan amount, the payment schedule, and the interest rate (the rate must be at least the IRS-approved minimum, which can change monthly). Including an interest rate shows that the loan is not legally a gift, which can be subject to gift-tax reporting. "The document should be signed and copies kept by both parties," says Hendershott. "It's a way to officialize the transaction and put it in the business, rather than personal, realm."

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Withhold judgment.

This is a toughie—on both sides. Lending money to a relative does not give you a free pass to criticize their spending going forward. Yes, your sister might buy a new lipstick; yes, your parents might start planning next year’s vacation. “Don’t expect them to change their money behaviors,” advises Castro. “Let them be free to do whatever they want with the money, and don’t judge them for it. You need to see that person on their own journey and bring compassion, love, and acceptance to the table.”

Hendershott emphasizes that the best way to let go of toxic, judgmental feelings is to remind yourself you gave a gift, not a loan—even if it appears your child is blowing your “gift” on new shoes. “It goes back to: Can you afford the money? Can you gift it generously, benevolently? Can you bless it and let it go?” says Hendershott. “If yes, then you can avoid that super-uncomfortable relationship, judging what people are spending.”

Likewise, if you’ve borrowed, curb the instinct to assume that, since your relative clearly has more money than you do, you’re entitled to some of it (or entitled to not pay it back). “There can be this expecta-

tion of ‘Well, you have it, so why can’t I have some of it?’” says Hendershott. “There are many awkward dynamics that could be created as a result of borrowing. But it’s your communication skills, outlook on life, and love for the other person that will help you through it.”

Stick to the payback plan—or revise it if needed.

It bears repeating: When you ask a family member for a loan, treat it as a loan. Adhere to the payback schedule. And if you can’t, start looking at plan C (because borrowing from a family member was already plan B). “If you’re considering taking on credit card debt to pay back a personal loan, something has gone very wrong with your plan,” says Hendershott. “Instead, renegotiate the terms with your relative so you can keep your promise to pay.” If that’s not enough, she says, “get a part-time job, sell some physical belongings, ask for a raise.” You’ll be glad you did, for the sake of your relationship with your family—and your peace of mind.

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